

Message Text

CONFIDENTIAL

PAGE 01 QUITO 02486 121425Z

64

ACTION ARA-10

INFO OCT-01 ISO-00 CIAE-00 DODE-00 INR-07 NSAE-00 PA-01

USIA-06 PRS-01 SP-02 FEA-01 ERDA-05 AID-05 CEA-01

CIEP-01 COME-00 EB-07 FPC-01 H-02 INT-05 L-02 NSC-05

OMB-01 PM-03 SAM-01 OES-03 SS-15 STR-04 TRSE-00

FRB-03 /093 W

----- 116499

R 121300Z APR 75

FM AMEMBASSY QUITO

TO SECSTATE WASHDC 5146

INFO AMCONSUL GUAYAQUIL

C O N F I D E N T I A L QUITO 2486

E.O. 11652: GDS

TAGS: ENRG EINV EC

SUBJECT: PETROLEUM: MINISTER OF NATURAL RESOURCES PRESS CONFERENCE

1. MINISTER OF NATURAL RESOURCES LUIS SALAZAR ANNOUNCED APRIL 10 IN A PRESS CONFERENCE THAT THE GOE WILL HOLD PRICES AT DECEMBER 31 LEVELS. HE PUT GOVERNMENT TAKE AT \$10.21 UNDER PREVAILING TAX RATES. THE PETROLEUM COMPANIES HAVE BEEN INFORMED OF THE DECISION.

2. SALAZAR ALSO CORRECTED REPORTED STATEMENT BY COL. RENE VARGAS, CEPE MANAGER. LOCAL PRESS HAD QUOTED VARGAS AS STATING ON APRIL 8 IN MEXICO THAT ECUADOR IS SEEKING TO NATIONALIZE PETROLEUM PRODUCTION TO EXPEL FOREIGN COMPANIES THAT NOW EXPLOIT PETROLEUM FOR THEIR OWN BENEFIT. SALAZAR TERMED THIS A COMPLETE PRESS DISTORTION AND ASSERTED THAT GOE RESPECTS AND WILL RESPECT FOREIGN INVESTORS. THE GOE, HE SAID, DOES PLAN TO ACQUIRE ANOTHER 26 PERCENT OF THE TEXACO-GULF CONSORTIUM TO REACH THE DESIRED 51 PERCENT CONTROL. FOR THE TIME BEING, HOWEVER, THE GOVERNMENT DOES NOT HAVE THE RESOURCES TO BUY OUT AN ADDITIONAL 26 PERCENT.

CONFIDENTIAL

CONFIDENTIAL

PAGE 02 QUITO 02486 121425Z

3. THE MAJOR PRESS EMPHASIS WAS ON SALAZAR'S STATEMENT THAT THE GOE HAS DECIDED TO KEEP THE 1975 PRODUCTION ALLOWABLE AT 210,000 BPD. HE ADDED THAT THE AUCA FIELD WILL BE PERMITTED TO ENTER PRODUCTION AT 15,000 BPD INITIALLY. (SACHA FIELD PRODUCTION WILL BE CUT BACK BY THE SAME AMOUNT.) THE PRODUCTION LIMIT FOR AUCA MAY BE REVISED UPWARD AFTER FURTHER STUDIES.

4. SALAZAR ALSO SAID THAT A PLAN HAS BEEN SUBMITTED TO THE PRESIDENT SETTING OUT CONDITIONS REQUIRING TEXACO-GULF TO COMPLETE THE DEVELOPMENT OF ALL THIRTEEN STRUCTURES IN ITS CONCESSION. (THE FIVE LARGEST HAVE BEEN OR ARE BEING DEVELOPED.) 1) IF DEFINITE PETROLEUM CAPACITY IS NOT DISCOVERED WITHIN THREE YEARS AFTER PRELIMINARY EXPLORATION, THE STRUCTURE WILL REVERT TO THE STATE WITHOUT COST TO THE COMPANY. 2) IF PRODUCTION HAS NOT BEGUN IN EXPLORATORY CONCESSIONS WITH PROVEN PETROLEUM CAPACITY, THE FIELDS WILL REVERT TO THE STATE THREE YEARS AFTER THE TERMINATION OF EXPLORATORY WELLS. 3) THE COMPANIES WILL HAVE A YEAR FROM THE DATE OF THE DECREE TO BEGIN DEVELOPMENT AND TWO YEARS FOR THE RAPID EXPLOITATION OF PROVEN RESERVES IN THEIR CONCESSIONS. FAILURE TO COMPLY WITH THESE RULES WILL CAUSE REVERSION TO THE STATE.

5. CEPE HAS PLANS, HE SAID ALSO, TO SIGN AT THE END OF THIS APRIL A CONTRACT WITH ROMANIA TO ASSIST CEPE IN EXPLORATION OF ITS AREAS.

6. COMMENT: TEXACO-GULF HAD ASKED FOR A TAX ROLL-BACK FROM PREVAILING LEVELS THAT BECAME EFFECTIVE OCTOBER 1 BUT ADDITIONALLY FEARED THAT A FURTHER OPEC-INSPIRED PRICE INCREASE WOULD BE IMPOSED. IT REMAINS TO BE SEEN WHETHER THE COMPANIES WILL BE SATISFIED WITH THE FREEZE ANNOUNCED BY SALAZAR. TEXACO-GULF EXECUTIVES FROM CORAL GABLES WILL VISIT QUITO AGAIN NEXT WEEK. THEY WILL NOTE THAT SALAZAR WENT TO GREAT LENGTHS TO SAY THAT THE GOE WILL FULFILL ITS OBLIGATIONS TO THE COMPANIES AND HAS NO PLANS FOR NATIONALIZATION. HOWEVER, THE PROPOSED FORCED DEVELOPMENT OF ALL STRUCTURES PRESENTS A NEW PROBLEM. STATE PARTICIPATION, PRODUCTION CONTROLS AND

CONFIDENTIAL

CONFIDENTIAL

PAGE 03 QUITO 02486 121425Z

HIGH TAX RATES HAVE LED TEXACO-GULF TO PARE DOWN DEVELOPMENT PLANS AND EXPENDITURES.
HEMENWAY

CONFIDENTIAL

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: PETROLEUM INDUSTRY, PRESS CONFERENCES, PRICE CONTROLS
Control Number: n/a
Copy: SINGLE
Draft Date: 12 APR 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: GolinoFR
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975QUITO02486
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D750128-0789
From: QUITO
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750455/aaaabzej.tel
Line Count: 110
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION ARA
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: GolinoFR
Review Comment: n/a
Review Content Flags:
Review Date: 10 SEP 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <10 SEP 2003 by BoyleJA>; APPROVED <11 SEP 2003 by GolinoFR>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
05 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: PETROLEUM: MINISTER OF NATURAL RESOURCES PRESS CONFERENCE
TAGS: ENRG, EINV, EC, (SALAZAR, LUIS)
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006